

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – DECEMBER 21, 2005

PRESENT: Chairman Anthony Maiola and Commissioner Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Steven Slovenski, Legal Counsel; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Evie Taft, Human Resources Administrator; Richard Gerrish, Spirits Marketing Specialist; Nicole Brassard, Wine Marketing Specialist; Investigator Kyle Metcalf, Bureau of Enforcement. **Guests:** Al Picconi, Southern Wine & Spirits of New England, Inc.; Michael Goclowski, Law Warehouses.

EXCUSED: Commissioner John Byrne; George Tsiopras, Chief Financial Officer; Eddie Edwards, Chief of Enforcement.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports:

A. Weekly, Y-T-D Sales Reports: Unavailable at this time.

B. Budget/Administrative Reports:

Both the Annual Report and the request for Investigator Timothy Copeland are on the Governor and Council agenda for today. Deputy Chief Avery and Craig will be attending the meeting.

Gordon Graham from the Department of Public Works visited the Commission to take a look at the front door in regards to providing increased security measures there.

Chairman Maiola received correspondence from Karen Levchuk, Director of Personnel, regarding implementation of a new employee suggestion program. Each agency is to establish a committee of three to screen the suggestions. The Governor has received an appropriation of \$10,000 per year to run the program.

George Tsiopras is out of the office today with the ERP Evaluation Team; several other Commission employees will be attending some of the demo labs later today.

2. IT Report

The contract to resolve the Disaster Recovery communications problems has gone out, and we are now waiting for paperwork to come back from the company.

A spreadsheet will be distributed later today for Commission review and approval relative to the electronic special offers program.

Some communications problems have occurred within the last four or five days whereby stores are not receiving price files, and polling is not occurring in several stores. It is not yet known why this is happening, as the problems seem to correct themselves within minutes.

3. Human Resource Report:

Evie will also be attending the ERP program today. On Friday and next Tuesday and Wednesday she will be out of the office on vacation. On the 29th and 30th of December she will be administering legal assistant interviews.

II. MARKETING & SALES REPORTS

1. Store Operations:

a. Sunday Store Hours of Operation Change Recommendation – Store #12-Center Harbor:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a seasonal reduction in Sunday hours of operation at Store #12, Center Harbor, effective January 8, 2006, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

Total store sales for the week ending 12/18/05 were down by (0.21%) or (\$19,356.07). However, Peter noted that Store #34, Salem produced a quarter of a million dollars in sales alone.

A meeting was held with the Lottery this past Monday regarding the joint venture between that agency and the Commission. There will be another meeting in January, which will also include a representative from the Governor's office.

In addition, a meeting took place yesterday with Rick Wisler and two of the Lottery commissioners to talk about an additional potential program to take place in the spring. Further information will be presented to the Commission regarding this.

2. Purchasing Report:

There have been a few out-of-stock situations occurring with Captain Morgan Tattoo Rum and a couple of the Godiva products. Overall, however, warehouse inventory is in good shape.

3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Fris Lime Vodka):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny a request from Southern Wine & Spirits of N.E., Inc./Shaw-Ross International for a new test market listing for Fris Lime Vodka, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Starbucks Cream Liqueur):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Future Brands LLC for a new test market listing for Starbucks Cream Liqueur, 750ML size (new Code #5139), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Canadian Gold):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Laird & Company for a new test market listing for Canadian Gold, 1.75L size (new Code #2181), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Results (Codes #8353, #1620 & #8841):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the delisting of the following three line extensions which failed to meet their respective gross profit

requirements at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #8353, Wild Turkey 101 Bourbon, 375ML size; Code #1620, Woodford Reserve Bourbon, 375ML size; and Code #8841, Burnetts Gin, 750ML size. The motion was unanimously adopted.

2) Appeal (Vox Green Apple Vodka):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny an appeal from Southern Wine and Spirits of N.E., Inc./Future Brands LLC regarding the delisting of Code #3743, Vox Green Apple Vodka, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) One-Time Buy (Dr. McGillicuddy's 200ML Tri-Pack):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve an offer from Southern Wine & Spirits of N.E., Inc./Sazerac Company, Inc. of a one-time buy on Dr. McGillicuddy's Tri Pack, 200ML size (new Code #5100), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) January Product Promotion:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./McCormick Distilling Co. to conduct a product demo featuring Code #5526, Sgt. Peppermint Cream Liqueur and Code #5527, Tequila Rose Java Cream, 750ML sizes, in Stores #73 and #76 Hampton on January 13, 20 and 27, 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) January/February/March Display Promotion:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Future Brands LLC to conduct a promotion in conjunction with Code #3552, Level Vodka, 750ML size, during January, February and March 2006, but that the ordering of product be left to each store manager's discretion, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred

by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) January/February/March Sweepstakes:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Future Brands LLC to conduct a sweepstakes promotion in conjunction with the Absolut family of vodkas and DeKuyper family of schnapps during January, February and March 2006, but that the ordering of product be left to each store manager's discretion, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) February Special Offers (6 items – Horizon Beverage Co.):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of six (6) spirit items, to be featured on sale during February 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Special Offers for February 2006:

a. 1 item – Charles Saunders:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Charles Saunders, based upon depletions for one (1) wine item, to be featured on sale during February 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 4 items – Charles Zoulias:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Charles Zoulias, based upon depletions for four (4) wine items, to be featured on sale during February 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 5 items – Pine State Trading Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions for five (5) wine items, to be featured on sale during February 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 11 items – Pine State Trading Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions for eleven (11) wine items, to be featured on sale during February 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 35 items – E & J Gallo Winery:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from E & J Gallo Winery, based upon depletions for thirty-five (35) wine items, to be featured on sale during February 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- f. 46 items – M.S. Walker, NH:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, NH, based upon depletions for forty-six (46) wine items, to be featured on sale during February 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- g. 52 items – Executive Wine & Spirits:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions/special purchase allowances for

fifty-two (52) wine items, to be featured on sale during February 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

h. 62 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions/special purchase allowances for sixty-two (62) wine items, to be featured on sale during February 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Test & Sweepstakes Mak & Zonte's Footsteps Wines:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Pine State Trading Company to test three (3) Mak and two (2) Zonte's Footsteps wines by placing a three absolute in Cluster 1 and 2 stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Results of Purchases and Displays:

a. Yellow Tail RSV:

As a result of the purchase and display of Code #41950, Yellow Tail RSV Cabernet and Code #41951, Yellow Tail RSV Merlot, it was moved by Commissioner Maiola, seconded by Commissioner Russell, that absolutes of these products be placed in selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Zed Sauvignon Blanc:

As a result of the purchase and display of Code #42170, Zed Sauvignon Blanc, it was moved by Commissioner Maiola, seconded by Commissioner Russell, that this product be delisted for failure to meet gross profit requirements, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Clay Station Viognier:

As a result of the purchase and display of Code #39790, Clay Station Viognier, it was moved by Commissioner Maiola, seconded by Commissioner Russell, that this product be delisted for failure to meet gross profit requirements, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Chalone Monterey Wines:

As a result of the purchase and display of Code #42640, Chalone Monterey Chardonnay, Code #42642, Chalone Monterey Pinot Noir, Code #42639, Chalone Monterey Cabernet and Code #42641, Chalone Monterey Merlot, it was moved by Commissioner Maiola, seconded by Commissioner Russell, that absolutes by placed in selected stores for Codes #42640 and #42642, but that Codes #42639 and #42641 be delisted for failure to meet gross profit requirements, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Clos du Bois Pinot Grigio:

As a result of the purchase and display of Code #41751, Clos du Bois Pinot Grigio, it was moved by Commissioner Maiola, seconded by Commissioner Russell, that absolutes of this product be placed in selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Recommended Allocated Wines for Distribution to Selected Stores (4 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve four (4) allocated wines for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Recommended Allocated Wines (Absolutes) for Distribution to Selected Stores (13 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve thirteen (13) allocated wines (absolutes) for distribution to selected stores, as recommended by Nicole Brassard, Wine

Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 6) “R” Wines for Allocation to Licensees Selected by the Broker (3 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve three (3) restricted wines for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 7) Primary Source Submissions (8 exclusive agent; 13 imported):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of eight (8) wine codes which are offered by the exclusive marketing agent and thirteen (13) wine codes which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 8) Tabled Items:

- a. Dom Perignon Pricing (11/30/05, Item B-2):

Item remained on the table, pending receipt of sales results.

III. ENFORCEMENT & LICENSING REPORT – No report.

IV. CHAIRMAN’S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated December 15 through December 21, 2005. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all previously reviewed coupon (pad, necker and consumer offer) requests for January 2006. The motion was unanimously adopted.

3. Late Items/Other:

a. Special Offers for February 2006:

1) 118 items – Martignetti Companies of N.H.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions/special purchase allowances for one hundred eighteen (118) wine items, to be featured on sale during February 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) 112 items – Southern Wine & Spirits of N.E., Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Southern Wine & Spirits of N.E., Inc., based upon depletions/special purchase allowances for one hundred twelve (112) wine items, to be featured on sale during February 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) 6 items – R.P. Imports:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from R.P. Imports, based upon depletions/special purchase allowances for six (6) wine items, to be featured on sale during February 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

Anthony C. Maiola, Chairman

Patricia T. Russell, Commissioner

/D. Hartford

